

Alvia High Conviction Fund

Alvia's 'best ideas' unitised fund leverages our multi-family office investment process to deliver long term, consistent and compounding returns.

June 2022 update

Markets

Equity indices across the globe posted significant losses, with the exception of some emerging markets, including China, with continued concerns about elevated inflation, an imminent recession in the US and higher interest rates. In the US, the S&P 500 lost 8.4% while the Nasdaq continued on its run of underperformance, losing 8.7%. The latter has now slumped over 31% from its all-time high set in late November last year. In London, the FTSE 100 continued to outperform in challenging times, posting a loss of 5.8%. Equities in China were one of a few which caught a bid in June, with the country's Shanghai Composite index advancing 6.7%. Locally, the S&P/ASX 200 lost 9.1%, with losses across the bourse.

Commodities were largely weaker for the month as the US dollar firmed against major currencies. Iron ore lost 2.6% to US\$130 a tonne, while copper continued on its downward trend of recent months, slumping 13.2% to US\$8,242.65 a tonne. The oil price was weaker, although remained above US\$100, closing down 4.6% to US\$109.78. Despite concerns about elevated inflation persisting, gold declined 1.8% to US\$1,817.50 an ounce. We retain a meaningful position in both physical gold bullion and a portfolio of gold mining companies in the portfolio as we believe the yellow metal remains a true store of value (and cryptocurrency does not). The Australian dollar was sold off in sympathy with the broader risk off sentiment, closing the month at 68.8 US cents, down 4.3%. Bitcoin added to last month's 17.1% decline with a further 37.1% loss to US\$19,985.60 a coin.

We believe that now is a very important time to stay the course - continue to regularly add capital to your portfolio if you can, to take advantage of the heightened volatility. When everyone is talking doom and gloom and asking "what else could go wrong", that is precisely the time you should be looking to put money to work.

Portfolio

The fund's outperformance of the major indices for the month was supported by its Chinese investments, namely **Prosus (AEB:PRX) +29.4%** and e-commerce marketplace **Alibaba Group Holding (NYS:BABA) +18.4%**. Laggards included commodities fund **Tribeca Global Natural Resources (ASX:TGF) -26.8%**, impacted by lower commodity prices and Westfield mall owner **Unibail-Rodamco-Westfield (ASX:URW) -23.3%**.

The fund's private investment, **Pure Environmental** is making good progress in building out its management team and securing key acquisitions, ahead of a potential initial public offering. Pure's foundation investment, WestRex, continues to perform in-line with expectations and budget. The company's facility in the northern Brisbane suburb of Narangba is now operational, having received all the required licences and approvals. Management expects Pure to be generating EBITDA in excess of \$20m by the end of FY23.

During the month, the investment team sold the fund's position in leading defence company **Lockheed Martin (NYS:LMT)**. Whilst we believe the investment thesis is still intact and arguably stronger than when we first entered, in our view there are more attractive opportunities on a risk-adjusted basis. One of those being leading memory semi-conductor manufacturer **Micron Technology (NAS:MU)**. Micron trades on a single-digit forward price to earnings multiple based on the view that the company's earnings are still highly cyclical. Whilst we acknowledge there is still a cyclical element in the company's earnings, we believe the significant multiple discount implied in the current share price provides a compelling risk adjusted opportunity.

Performance as at 30 June 2022 (A\$)*

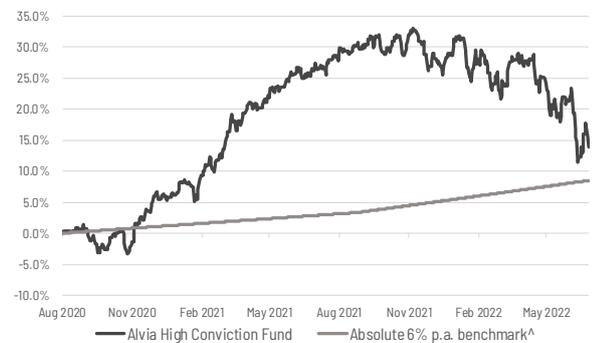
	1-month	3-month	6-month	9-month	1-year	Since inception p.a.	Total since inception
Alvia High Conviction Fund (net of fees)	(6.7%)	(11.8%)	(11.8%)	(12.1%)	(9.5%)	7.1%	13.8%
Absolute 6% p.a. benchmark [^]	0.5%	1.5%	2.9%	4.5%	5.5%	4.4%	8.5%
Relative performance (net of fees)	(7.2%)	(13.2%)	(14.7%)	(16.6%)	(15.0%)	2.7%	5.4%

* Fund inception date is 6th August 2020. Performance figures are historical percentages, which have been calculated using end of month prices and do not allow for the effects of income tax or inflation. Returns assume the reinvestment of all distributions. For periods greater than one year, with the exception of "Total since inception", returns are annualised. Performance can be volatile and future returns can vary materially from past returns.

[^] From 1 September 2021, the fund has an absolute return benchmark of 6.00% per annum. The benchmark was previously the RBA Cash Rate + 3.00% per annum from inception date (3.25%) to 31 August 2021 (3.10%).

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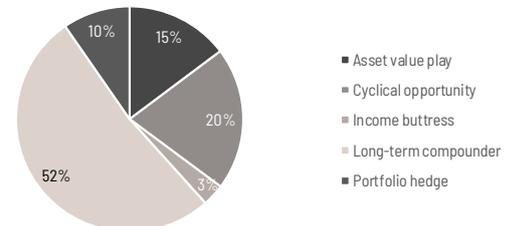
Cumulative return since inception



Top 5 investments

PRX.AMS	Prosus NV	4.9%
NVO.NYS	Novo Nordisk A/S	4.6%
TPL.NYS	Texas Pacific Land Corporation	4.5%
META.NAS	Meta Platforms Inc	4.4%
BABA.NYS	Alibaba Group Holding Ltd - ADR	4.4%
Top 5 total		22.8%
Number of portfolio investments		28
Average investment weight		3.3%

Weighting by investment category



Key portfolio metrics

EV/EBITDA (x)	12.5
Price to earnings ratio (x)	16.0
6-year historical EBITDA CAGR (%)	12.3%
6-year average return on invested capital (%)	31.3%
FCF yield (%)	6.1%
Net debt to EBITDA (x)	0.7

Unit prices as at 30 June 2022 (A\$ per unit)

Entry price	1.1384
Mid price	1.1350
Exit price	1.1316



ALVIA HIGH CONVICTION FUND PROFILE

ABSOLUTE RETURN FOCUSED

MINIMUM INVESTMENT
\$50,000

MANAGEMENT FEE
0.90% p.a. + GST

PERFORMANCE FEE
15% p.a. of any return greater than the benchmark. (6.00% p.a.)

TIMEFRAME
The Fund is suited to investors with a long-term investment horizon.

ENTRY / EXIT FEES
Nil

DISTRIBUTION FREQUENCY
Annually, subject to availability of income.

TYPICAL NUMBER OF INVESTMENTS
20 to 40

TRUSTEE
Independently owned, QLD based DDH Graham.

The Fund provides access to multi-family office investment expertise and investment ideas, without the barrier of a significant investment minimum.

Objective

To deliver sustainable, long term risk-adjusted returns with a focus on capital preservation.

Structure

The Fund is an open-ended, single class, unregistered managed investment scheme structured as a unitised trust, for wholesale investors only.

Investment Mandate

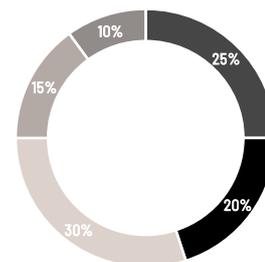
Unconstrained, incorporating listed securities, managed funds and private companies; long and short positions; all geographies.

Investment Philosophy

The Fund's investment process is founded on the underlying principle that good investing requires a solid temperament as much as strong analysis.

Investing is principled upon long-term compounding of returns and not short-term speculative price forecasts. All of the Fund's investments are subject to a rigorous five step review process, consistent with the approach used across Alvia's five asset class model portfolios.

Portfolio Weighting



Asset value play - 25%

A business that is currently priced at a material discount to its book value or net asset value ('NAV').

Cyclical opportunity - 20%

A business that operates in an industry with earnings that are highly correlated to commodity prices and/or economic activity, where the investment team believes there is a material mispricing relative to the current stage of the economic cycle.

Long-term compounder - 30%

A business that is the leader or one of the leaders in its industry that has consistently delivered growth in revenue, earnings and cash flow across the business cycle.

Income buttress - 15%

Investments that have a strong and stable income profile with lower levels of price volatility. These investments tend to have a lower (or negative) correlation to typical equity and equity-like securities.

Portfolio hedge - 10%

Investments that have a low or negative correlation to listed equities and other equity-like asset classes, to reduce the volatility of portfolio returns (e.g. gold and the US dollar).

THE ALVIA INVESTMENT TEAM



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